Annual Report

1985

86-06395/

PROVINCE OF ONTARIO

Honourable David Peterson

Premier

Honourable Rene Fontaine, Minister

Northern Development and Mines

COVER THEME

PEOPLE OF THE O.N.T.C.

(Photographs by Gisela Ball)

85th ANNUAL REPORT of the ONTARIO NORTHLAND TRANSPORTATION COMMISSION

for the year ending

December 31, 1985

ONTARIO

MINISTRY OF NORTHERN DEVELOPMENT AND MINES

The Honourable Lincoln M. Alexander
P.C., Q.C., C. St.J., B.A.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:
I beg leave to present the 85th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1985.

Respectfully submitted,

Rene Fontaine,
Minister.

June 9, 1986

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Rene Fontaine,
Minister of Northern Development and Mines,
Parliament Buildings,
Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1985 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J.W. Spooner,
Chairman.

May 26, 1986

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

J.W. Spooner, Chairman, Timmins

M.P. Boreham, Commissioner, Elliot Lake

P.A. Burns, Commissioner, Dryden ... retired March 31, 1985

N.G. Forth, Commissioner, North Bay

G.J. Gagnon, Commissioner, Hearst ... appointed June 12, 1985

N.M. Karam, Commissioner, Cochrane

A.D. Mortson, Commissioner, Englehart

R. Motlong, Commissioner, Sioux Narrows ... appointed April 1, 1985

M.R. Wright, Commissioner, Sault Ste. Marie

PRINCIPAL OFFICERS

P.A. Dyment, General Manager

D.E. MacDougall, Assistant General Manager

K.J. Moorehead, Senior Operating Officer - Rail

K.J. Wallace, Senior Officer, Marketing and Passenger Services

R.L. Moore, Senior Director, Customer Services and Public Affairs

REPORT OF THE GENERAL MANAGER

Mr. J.W. Spooner
Chairman

North Bay, Ontario
May 5, 1986

The following report of Ontario Northland Transportation Commission year ending December 31st, 1985 is respectfully submitted.

During the past year the Ontario Northland Transportation Commission has, through its diverse activities, accomplished a threefold object.

First, our operations in all areas performed steadily and efficiently thereby continuing the aura of stability that has been our trademark in northern Ontario for eight decades. Our commercial operations in all produced revenues of $92,134,773 resulting in an income of $16,100,184; our non-commercial operations were also steady, producing a net gain from operations. In addition we have been able to continue the policy of reducing the unfunded pension liability through an extra payment in 1985 of $3,001,118. It is pleasing to report also that for the fourth consecutive year the Commission has been able to grant an ad hoc increase (4%) to pensioners.

Second, several special and exciting new projects — some ongoing — have contributed to the sense of pride that is apparent among our people, and concurrently enhanced the stature of the Commission. Those which come most readily to mind are the new head office, the seniors' apartment complex, the refreshing effectiveness of the Dash-8 aircraft, the continuing transformation of the GO Transit coaches into first class passenger coaches and the introduction of fiber optics into our telecommunications system.

Third, and perhaps most pleasing, has been the positive response of our personnel to changing circumstances and new technology. The New Passenger Services unit and the Customer Services Department exhibit the willingness and the capacity to innovate and meet change. The Railway's Mechanical Department has responded admirably to the introduction of challenging and dramatic alterations in management and production activities and methods. And there are many other examples of how the workers of Ontario Northland are making things happen.

On the following pages is more detail about the year's performance and we have taken advantage of this opportunity to show how our operations are consistent with the overall objective: to provide a transportation and communication link within Northern Ontario and, just as importantly, to and from the south.

Yours truly,

P.A. Dyment,
General Manager.

REVIEW OF OPERATIONS

Two major and exciting new projects of 1985 epitomize the longstanding commitment of the Ontario Northland Transportation Commission to the north. The first came when the Planning Department finalized plans for a six story, 65,000 square foot building in North Bay in order to consolidate all general office space for the several O.N.T.C. operations. For the Commission, this move will have the advantage of centralizing its activities which currently require six different locations in the city.

The plans were completed by a North Bay architectural firm and submitted to tender on June 13, 1985. At the Commission's meeting of July 31, 1985 the contract for $4,960,000.00 was awarded to a northern Ontario construction company which moved onto the Oak Street site on August 19 to begin layout and excavation work. Work on the steel reinforced, poured concrete structure continued through the winter and completion is scheduled for August 31, 1986.

The second project concerns the construction of a 118 unit apartment complex adjacent to the new office building. Conceived as an investment for the O.N.T.C. Employees Pension Fund, the apartments are being designed to accommodate retired O.N.T.C. employees, with the goal being to provide housing somewhat better than that currently offered on the North Bay rental market. The preliminary and planning discussions, conducted in 1985, provided specifications and plans which should allow the construction schedule to begin early in 1986 and to reach completion in the spring of 1987. To insure that the structure would indeed meet the intended needs, input for the plans was solicited from and provided by a special committee. It included representatives of the retired O.N.T.C. Employees, Labour and several other local, interested and informed groups.

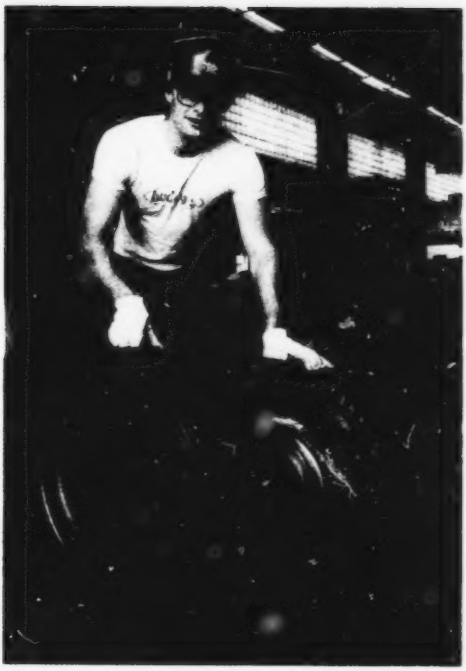
These new buildings will serve two purposes. The centralization of head office facilities will increase efficiency and improve the image of the Commission's operations. The apartment complex will benefit former and present employees by providing housing for the former and a good investment for the latter. Concurrently the benefits to the city of North Bay, both financially and aesthetically, are obvious. An additional feature of these projects is the decision to retain the original limestone structure on Oak Street, at Regina Street, as an historic building and ultimately as an archival centre and museum. The ancillary decision, also made in 1985, to appoint an archivist will add further to this enterprise.

As dramatic as these new developments may be, they should be seen simply as the most recent examples of the Commission's increasing determination to serve the north as its primary communications link. The day to day, month to month operations, described in outline below, strive for that goal on a regular basis.

RAIL SERVICES

Extensive progress characterized the past year in terms of our motive power, car capacities, rail quality, contract work and special projects. The net result has been a decisive declaration of the Commission's determination to maintain our rail services at a high and competitive level.

In keeping with the policy of maintaining equipment in good repair one diesel locomotive was overhauled completely and another was equipped with a winterization package to increase its efficiency when used for snow plough service. Other locomotives are scheduled for similar modifications in 1986. A significant innovation has been the installation, during 1985, of throttle reduction switches on road freight locomotives. Because this switch allows the engineer to lower the throttle position on the lead locomotive, it means that he can eliminate the lurching on heavy trains climbing steep



grades, resulting in smoother and safer rides.

Our Mechanical Department has also begun a programme of upgrading posts on the 4500 series of pulpwood flat cars. The intent is to reduce the need for repair, and in 1985, twenty-three flat cars were modified accordingly. Another project concerned our surplus 10500 series bulkhead flats. Fifty of these were re-decked and subsequently leased to CP Rail, thus bringing some unexpected revenue to Ontario Northland. In addition, this department built a new kitchen and generator car for the use of Maintenance of Way work gangs. A much larger project, the complete refurbishing of a Northlander Train set, began in September of 1985, with completion expected in the spring of 1986.

The range of contract work conducted during 1985 attests to the high quality of the O.N.T.C. shops. A programme calling for the overhaul and modification of GO

Transit locomotives was begun in February, 1983. GO unit No. 704 was the last to be overhauled. It was one of three completed in 1985 and the eleventh to be overhauled and modified during this three year programme which generated additional revenue for the O.N.T.C. Our shops, furthermore performed wheel work for several firms. And through other contracts eight locomotives were repaired and modified by our Mechanical Department.

In a similar fashion, the Engineering Department can report a series of striking improvements throughout the length of the line over the past year.

- The programme of rock ballasting between Cochrane and Fraserdale was completed with the application of some 54,000 tons of crushed rock between Mileages 52 and 70.

- At year's end the modern Maintenance of Way Repair Facility at North Bay was close to completion.
- Maintenance on the main line included the replacement of 9.7 miles of worn rail with new continuous welded rail, the laying of 13 miles of secondhand rail, the replacement of 37,350 track ties, and the upgrading of 14 sets of switch ties.
- On the Kirkland Lake branch, flashing light protection was installed on two crossings. Also, a new hot wheel detector was installed at Wawbewawa, north of Englehart, and one hot box detector recorder was upgraded.
- At Moosonee a modern steel bridge over Store Creek replaced the old timber trestle; the Frederick House River bridge received major structural repairs; and elsewhere two treated timber bridge decks were replaced and one bridge was repainted.

The Transportation Department cannot boast of new plans or special enterprises. The nature of its task precludes such claims. Rather it can be observed that the two hundred and thirty or so men and women of this branch have taken advantage of the new equipment and, by taking advantage of opportunities such as consolidating trains, have operated the rolling stock efficiently and competently.

A very special project — and a major one — was set in motion when the Commission announced in 1984 that it would be acquiring twenty single level commuter coaches from GO Transit. In 1985 the purchase was completed, and all twenty cars were on our property by early December. The goal is to strip these cars completely and refurbish them as first class main line passenger cars for our line. In addition the Commission acquired seven used B Locomotive units, which are to be converted into auxiliary power units (APU) to provide the requisite power source for the converted passenger cars. Because these

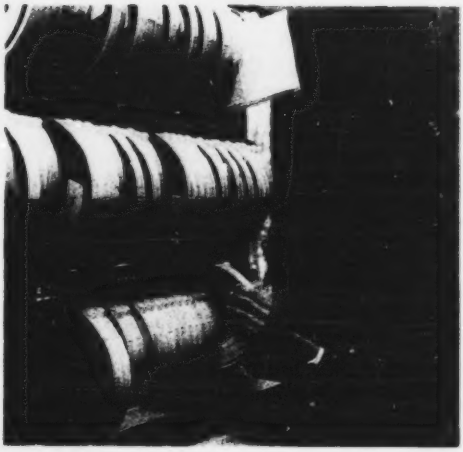
two major conversions require services and skills which transcend our various departments, a special ad hoc unit — titled New Passenger Services — was set in place. With some assistance from Amtrack consultants, this unit is expected to co-ordinate the various Ontario Northland departments which will be involved as well as to seek skills from without when required.

With the special unit in place and the two purchases completed, work on the GO cars began in 1985. Four cars were completely stripped and prepared for the reconstruction of the new interiors and subsystems. Preparation of the necessary specifications and design engineering work also proceeded at a fast pace; and the process for the procurement of materials and equipment was likewise begun. It is expected that this activity — procurement and reconstruction — will move quickly in the new year. The goal calls for the completion of at least one APU and three passenger cars in the new year.

TELECOMMUNICATIONS

Two years ago the **Annual Report** highlighted the O.N.T.C.'s telecommunications branch and predicted the introduction of fiber optics transmission facilities into the system. This possibility became an exciting reality in 1985 when a fiber optic link was installed between the Timmins central office and the Timmins radio site. This state of the art development renders the transmission of messages immune to atmospheric conditions and indicates Ontario Northland's determination to provide the most refined and sophisticated technology available.

But this new venture is simply the most dramatic illustration of Ontario Northland Telecommunications' efforts to improve its services to the north. The major portion of a new digital microwave radio facility between Smooth Rock Falls and Timmins was also completed in 1985, thus providing a system of communication that is considerably more accurate than its predecessor for transmitting data, and



much cleaner for voice transmission. In addition the past year saw work begin on a programme calling for the replacement of diesel generator units as the prime source of power for the Onakawana and Renison microwave radio sites. In future, power for these two far northern locations will be provided by Ontario Hydro's high voltage line. By using new advances in voltage transformer design, Ontario Northland Telecommunications can tap into Ontario Hydro's facilities, thereby securing a power source that is less expensive and more dependable. The latter consideration is particularly significant in view of the intensely cold northern winters, during which repairs can prove to be extremely difficult and very awkward to conduct.

Another area of progress has been the realization of improved local service and increased capacity through the installation of new local telephone cable at Temagami, Temagami Lakes, Marten River and Moosonee. As well, planning has begun for the installation of a modern local digital switching facility at Moose Factory and a new digital toll switch at New Liskeard.

Reports of these several innovations and developments is made all the more pleasant by the fact that telecommunications revenues increased by more than eight per cent in 1985. Most of this

increase can be attributed to long distance toll revenues, which increased by nine per cent due to an increase in the total number of messages carried by our system. Because of this increased revenue and a continued control over expenditures, the net income for the section actually rose by more than ten percent.

The telecommunications industry in general continues to be very exciting. The introduction of such new technologies as digital switching and fiber optics transmission has provided new levels of efficiency and economy while simultaneously changing the manner in which business is conducted. This trend is likely to continue. Accordingly, Ontario Northland Telecommunications will continue to adapt to changes in order to persist in its habit of providing modern services to the communities of northeastern Ontario. This high goal can be achieved by using the new technologies and by relying on the dedicated efforts of its highly trained, highly educated employees.

FREIGHT SERVICES

During 1985 our rail freight was stable, handling 5,200,573 net tons and generating $46,988,449 in revenue, a decline of less than one per cent from 1984. Within this division considerable optimism is in order for 1986.

It can be observed, for example, that shipments of sulphuric acid increased over the past twelve months due to improvements in production and continuing good markets. Our line also obtained various new blocks of traffic. In addition the traffic in iron pellets, an important commodity, remained stable. Northern mines shipped a total of 35,647 carloads of pellets over our line during 1985.

Yet it cannot be denied that we endured some set-backs in 1985, often because of circumstances beyond our control. The weakening of most foreign currencies against that of the United States was one

such factor. It had the effect of that country importing newsprint and pulp from an increasing number of foreign exporters of these commodities. This development had a deleterious effect on Canadian producers of these products, some of whom are our customers. Because some customers tended to reduce their inventories or, in some cases, producers in the lumber industry used truck deliveries, there was a slight decline in the movement of newsprint and pulp by rail. Ironically in some cases our own freight services actually carried slightly more than in 1984. For example we carried 3598 carloads of newsprint in 1985 as compared to 3231 in 1984. In general, however, we experienced a small decline in the total carload freight when all areas are considered. This latter reduction appears to be related to continuing problems in the markets for copper and zinc, the latter having decreased some 27 per cent over the year. The overall decline, however, is minimal, and we can look to 1986 with the same optimism that is held by many of our customers who fully

expect that the markets, and prices, for their products will improve.

For Star Transfer Limited, the past year was predominantly one of consolidation, re-grouping and preparation. Early in the year, a comprehensive customer survey indicated a need for more direct customer contact. This resulted in the establishment of several new sales positions which, it is expected, will enhance the presence of Star and of Ontario Northland in northern Ontario and concurrently secure a larger sales volume. Similar results can be expected from other preparatory steps. For example, the firm returned its leased trailers and subsequently acquired sixteen new 48 foot tri-axle vans which have become the pride of our fleet. It can also be reported that the agreement, noted in last year's report, between Star Transfer and a southern Ontario carrier has resulted in the re-emergence of truckload services from southern Ontario.

Express services also received a boost in status when it moved its Kirkland Lake operation into refurbished facilities, shared with Star Transfer, late in the year. This branch also put three new replacement pickup and delivery units into service in 1985. Although Express Services experienced a slight 3 per cent decrease in shipments because of the closure of the Noranda operation, revenues were maintained at the same level as 1984.

It is not surprising, therefore, that a feeling of optimism prevails, with 1986 plans calling for the following:

- The merging of Transport and Express Services.
- A new terminal location in North Bay.
- The acquisition of some new equipment.
- The refining of transport schedules to meet the needs of northern Ontario customers.
- The refining and upgrading of Star Transfer's accounting, communications and data processing department.

PASSENGER SERVICES - RAIL

O.N.T.C. rail passenger services illustrated once again in 1985 the importance of this operation for northeastern Ontario. After several public meetings with residents and business people of the Moosonee-Moose Factory Development, the Commission agreed to operate the regular Moosonee mixed passenger train, popularly known as "the Little Bear", on a twice-weekly schedule for the second consecutive year. To serve the far northern points further the O.N.T.C. added an extra car to the Polar Bear Express once a week to handle special commodities such as fresh milk. Meanwhile, at the other extremity, the Commission opened a new sales office, in January, at 65 Front Street West in Toronto's Union Station. This new location provides Ontario Northland with greater exposure than the previous Bay street site, as well as offering greater accessibility for rail passengers and freight customers.

Actual ridership on our several train routes was relatively stable in 1985. On the overnight train between Toronto and northern points — the Northland — and on the Little Bear between Cochrane and Moosonee, our crews served a total of

62,604 passengers in 1985. This was a decline of 3981 from 1984; but the Northlander carried 57,003 passengers, an increase of 629. And the Polar Bear Express increased its passenger total by 6.5%.

PASSENGER SERVICES - BUS

Bus operations during 1985 can be described in general terms as consistent and stable. Our fleet continued to serve the communities of northeastern Ontario between North Bay and Timmins and from Matheson to Wawa with regularly scheduled routes. Passenger ridership and revenues for this in line service experienced a minimal — 5 per cent — decline. Along these same routes, however, Bus Parcel Express revenues rose by 3 per cent, due partly to a tariff increase. The volume of parcels rose by 2 per cent.

There were difficulties in selling some of our tour packages into the United States,

the most serious being the continued weakness of the Canadian dollar against U.S. currency. As a result tour ridership declined by 13 per cent. On the other hand O.N.T.C. charter business grew very well during 1985. Charter ridership rose by 18 per cent which translated into a 10 per cent increase in revenues. If the two services are combined, it can be observed that the total number of persons carried by our charter and tour services rose from 8456 in 1984 to 9684 in 1985, a figure which reflects the ability of our personnel to adjust to changing conditions, including the international exchange rate and the decrease in the size of our fleet by one bus due to an unfortunate accident.

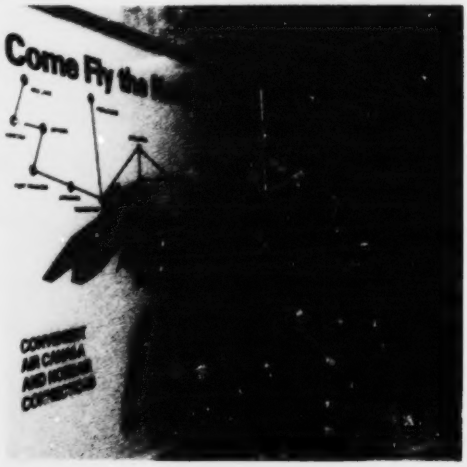
The Commission also continued its ongoing study of the existing frequency of service in northern Ontario in an effort to maintain operating costs within the parameters dictated by revenues.

NORONTAIR

When norOntair introduced the Dash-8 aircraft of de Havilland of Canada, it was the first airline to do so. The performance of this aircraft during 1985, its first full year of service, reinforces the correctness of the Commission in making this decision. It has proven to be extremely popular among passengers and very effective. In a single day its route includes Sault Ste. Marie, Sudbury, Timmins, Kapuskasing, Timmins, Kapuskasing, Timmins, Sudbury, Sault Ste. Marie, Thunder Bay and Sault Ste. Marie. So reliable is this airplane that it is considered likely that its workload can be expanded beyond even this impressive schedule.

When Hearst was added to our service in June 1985, it increased the number of northern centres served by our airline to 21, either by the Dash-8 or by our Twin Otter and Navajo aircraft. The addition was considered a natural extension of norOntair's existing service and also consistent with the intent of O.N.T.C. to serve northern Ontario where required and practicable.

Needless to say, the Dash-8 provided the focus for norOntair's activities in 1985, but it also offered many operational and practical challenges. In this, however, norOntair was able to achieve an approximately 99 per cent mechanical reliability average, which is outstanding for a new aircraft. Furthermore, as part of its mandate in introducing the Dash-8, throughout the year norOntair provided advice to several Dash-8 operators and prospective operators.

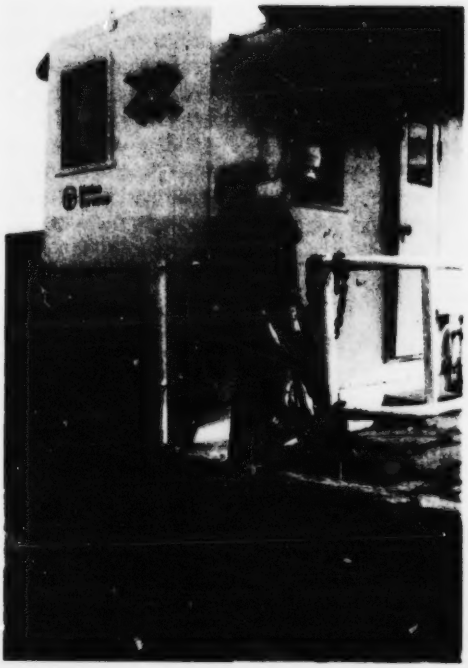


In general, the past year witnessed a three per cent growth in passenger boardings to a total of 90,641. This growth took place in spite of very sharply increased competition at several locations, especially at Kapuskasing and Kenora. The unique structure of norOntair, a combination of private and public enterprises, would appear to be well suited for the north.

MARINE SERVICES

The Commission operates three large and specialized water craft on three very large and very diverse bodies of water.

On Georgian Bay the **M.S. CHI-Cheemaun** completed its eleventh year of ferry service for passengers and motor vehicles between Tobermory and South Baymouth. This impressive craft (featured in last year's **Annual Report**) sailed its route twice



daily in the late spring and early fall, and made four return trips during the peak period from June 21 to September 2. Unfortunately a mishap during a dense fog in mid-August required that the **Chi-Cheemaun** be removed from service briefly for temporary dry docking. During 1985 fares were held at the 1983 level. Other efforts to increase the spring and fall traffic, such as volume discounts and lower rates for walk-on same day return, did not produce the expected results; but the 1985 season nonetheless saw the **Chi-Cheemaun** carry 239,585 passengers and 80,944 vehicles both of which were marginally greater than last year.

The **M/V Manitou Island II** operates on James Bay, largely as a ferry service for passengers and supplies between Moosonee and Moose Factory. The importance of this service, set in place by the O.N.T.C. in 1977, seems to grow each year. This was demonstrated this past year by increased revenues in all phases — passenger, freight and charter — of its operations. The 11.5 per cent general increase, however, tells only part of the story; equally significant was the increase in passenger traffic to 4968 from 2879. Since much of this increase resulted from the carriage of students between the island and the mainland, it seems clear that the **Manitou Island II** is becoming an integral part of the local community whose population is undoubtedly pleased that the vessel received the extensive machinery repairs it required during refit.

These two vessels are clearly service oriented, and form vital links between the communities they serve. The **M/V Chief Commanda II,** operating from North Bay on Lake Nipissing also acts in a service capacity by providing a communication link — for passengers and supplies — with the upper French River. This was the original mandate, but because other methods of communication now provide access to the upper French River, the **Chief Commanda II**'s orientation has changed to that largely of a tourist or pleasure craft. In this it has been immensely successful and this success carried through 1985. Regular sailings increased by 8.5 per cent over 1984, chartered sailings carried 60 per cent more people, total revenues generated by this craft rose by 26 per cent, and in 1985 a total of 20,294 passengers sailed on the **Chief Commanda II** marking it as a major tourist attraction in the North Bay area. This past year, after eleven seasons, the "Chief" received a refurbishing of its interior decor.

TOURISM AND PUBLIC AFFAIRS

The popularity of the Polar Bear Express continued to grow in 1985. During its four months of operation 21,454 passengers enjoyed the excursion from Cochrane to Moosonee.

The Hannah Bay Goose Camp operation also enjoyed a successful year, due partly to the U.S.-Canadian dollar exchange rates. Bookings increased from 119 in 1984 to 143 in 1985, resulting in a profit of approximately $30,000. The hunting

success ratio of 61 per cent was similar to last year.

The Polar Bear Express and the Hannah Bay Goose Camp are two O.N.T.C. enterprises which can be categorized as tourist attractions. The same is largely true for the Chief Commanda II. But it should also be observed that each facet of O.N.T.C. contributes, albeit in an ancillary fashion, to the tourist industry in northern Ontario.

The Commission also sponsored in 1985, several special activities which contributed, in a social sense, towards its efforts to act as a unifying influence in the north. The most dramatic was probably the decision to run the Santa Claus Express again, thereby carrying thousands of youngsters to the "north pole". It is expected that this event, which provided enjoyment for the children and certainly announced clearly the presence of the O.N.T.C., will continue in the future. The Commission is also proud of its sponsorship in five sporting-social events.

- The Northern Ontario Golf Association Annual Tournament.
- The Northern Ontario Golf Association Annual Tournament for Seniors.
- The T. & N.O. Curling Bonspiel.
- The T. & N.O. Curling Bonspiel for Seniors.
- The O.N.R. Englehart Curling Bonspiel.

With the exception of the last, these events are held in various northern locations, thereby permitting northerners to meet and to mix. There is also the added opportunity of O.N.T.C. personnel interfacing with our customers. Opportunities for our personnel to interface with each other, and with each other's families, were provided by our third annual Family Safety Day Picnic.

HUMAN RESOURCES

The proper husbanding of human resources — past and present — is, in the minds of many, the most significant measurement of an organization's success. In this regard the record of the Ontario Northland Transportation Commission is laudable, and this characteristic continued through 1985.

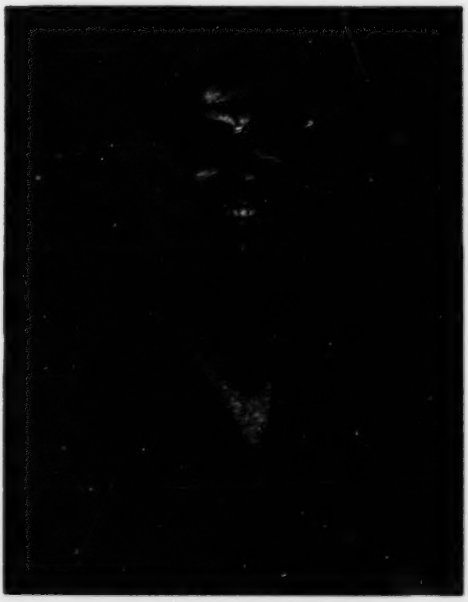
On September 30, 1985 the Commission formally appointed an Employment Equity Officer. This person was charged with the task of (1) reviewing O.N.T.C.'s Hiring and Promotion Policy and (2) co-ordinating a programme that will ensure that all qualified and available persons are given an equal opportunity to be hired and/or promoted. The goal — indicated in the position's title — is to provide an equitable environment for all 1600 of our employees.

The appointment itself is also a commitment to ensure that women, the handicapped, native people and visible minorities are represented and treated fairly at all levels of the Commission's work force. The results of the Employment Equity Programme will not be evident until the required seminars and employee in-put has taken place. These are scheduled for the early months of 1986.

Past and longstanding employees received attention in 1985. For the fourth consecutive year, a 4% ad hoc increase was granted to all pensioners. This will affect those persons who retired prior to December 31, 1983. Pensioners were also offered a direct bank deposit system as well as receiving several improvements to the general Pension Plan. Pre-retirement seminars continued during the year, thus meeting the overall objective of providing retirement advice to all employees between ages 50 and 55.

Emphasis on health and safety remained a feature of O.N.T.C. operations during 1985. This included the implementation of a new safety audit system and the compilation of Safety Data Sheet Manuals concerning all hazardous materials used by our employees. These manuals were distributed throughout the system.

Seminars and training sessions again played a dominant role in the Commission's efforts to raise the general awareness among all personnel of the importance of safety. Mechanical Department supervisors attended a one day seminar on the theme of "Safety, Health and the Law". Designed by officials of the Industrial Accident Prevention Association (I.A.P.A.), this session was intended to provide the foremen with greater knowledge of their responsibilities under the Occupational Health and Safety Act. The I.A.P.A. also conducted various other seminars which were attended by representatives of labour and management from the various Health and Safety Committees. Topics included hazard recognition, safety and health committees, crane slingers and accident investigation. The Ministry of Labour and the O.N.T.C. itself also sponsored seminars in the field

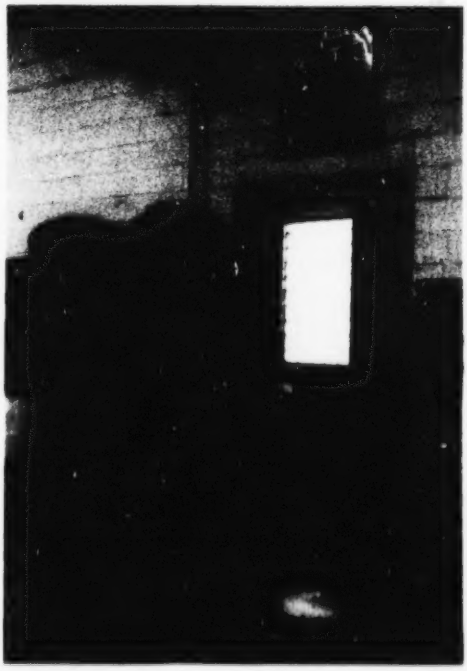


of health and safety. In all, 127 employees participated in these gatherings. One innovation was the implementation of the Fork Lift Operator training seminar. This consisted of a one day classroom session and a driving test, the purpose being to qualify operators in the safe handling of fork lift equipment. Similar training courses for operating trackmobile and Pettibone equipment are planned for early 1986.

Our own Safety and Health Department directed specialized training in accident investigation and in first aid. The general results of this concern for health and safety was a 26 per cent decrease in lost time injuries among employees and an overall reduction in total injuries of 9.7 per cent. This happy consequence was offset somewhat by an increase of 4.9 per cent in the total lost man days. Emphasis on safety and health will continue throughout our operations. Specialized training in accident prevention as well as a Back Care Programme are among the areas of particular concern.

In the area of Labour Relations, the past year saw several interesting developments, some of which were firsts for the O.N.T.C.

- The Telecommunications group bargained locally for the first time. Here an eighteen month contract was achieved.
- Ontario Northland signed a Master Agreement with the Non-Operating Unions for a two year term.
- Also, for the first time, the Shop Craft Unions and the Carmen bargained separately. With the former, Ontario Northland signed a unique Employment Security Agreement which covered this vital issue and which, by all accounts, benefits both the employees and the Commission.
- Contracts were also negotiated with the U.T.U., the Bus Operating Group, the Seafarer's Union, the Canadian Marine Officers Union and Star Transfer. Throughout these settlements wage increases averaged four per cent.



Management training continued during 1985: Five in-house specialized Customer Training packages were presented to 120 persons; one hundred and seventy-four managers and supervisors participated in the Interaction Management Programme; and sixty current and potential supervisors participated in Assessment Centres to assess managerial skills.

The general impression given by a review of our operations over the past year is that of an organization that is competent and steady, and yet one which is innovative and progressive. The creation of the New Passenger Services unit is an illustration of our willingness and ability to re-structure when necessary. Another example was the creation in 1985 of a Customer Service Department which was given the responsibility of interfacing with all land transportation customers, including carload freight, express and transport, bus parcel express and rail and bus passengers. The major new projects, such as the new office centre, are very noticeable and very dramatic. But within each department our people are optimistic, and committed to performing — and improving — their roles.

Ontario Northland Transportation Commission

Consolidated Balance Sheet

as at December 31, 1985

Assets	1985 $	1984 $
Current Assets		
Cash and short term investments	**1,993,753**	4,681,754
Accounts receivable	**15,812,081**	13,148,265
Materials and supplies	**5,532,673**	4,328,384
Prepaid expenses	**175,163**	234,358
	23,513,670	22,392,761
Long Term Investments - at cost		
Government bonds (market value $22,596,000; 1984 - $27,030,000)	**19,767,627**	25,883,120
Other Assets - at cost		
Self insurance fund (note 2) (market value $1,718,000; 1984 - $1,362,000)	**1,538,448**	1,273,996
Bus Franchises	**297,679**	297,679
Investment in Telesat Canada	**150,000**	150,000
	1,986,127	1,721,675
Investment in Property - at cost less accumulated depreciation (schedule 1)	**169,729,826**	156,327,129
	214,997,250	206,324,685

See accompanying schedules and notes to consolidated financial statements.

Approved on behalf of the Commission

J.W. Spooner, Chairman

P.A. Dyment, General Manager

Liabilities and Equity	1985 $	1984 $
Current Liabilities		
Accounts payable and accrued charges	15,657,700	18,575,793
Deferred Revenue (note 5)	1,602,856	—
Provision for Self Insurance (note 2)	1,538,448	1,273,996
Long Term Debt		
Note due Province of Ontario	—	13,000,000
Loan from Province of Ontario non-interest bearing	35,207,935	35,207,935
	35,207,935	48,207,935
Province of Ontario Equity		
Contributed surplus	24,752,416	20,328,060
Retained income	136,237,895	117,938,901
	160,990,311	138,266,961
	214,997,250	206,324,685

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Development and Mines.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1985 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Development and Mines.

Toronto, Ontario.
April 18, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

Ontario Northland Transportation Commission

Consolidated Statement of Income

for the year ended December 31, 1985

	1985 $	1984 $
Operating Revenues		
- Commercial (schedule 3)	**92,134,773**	91,438,854
- Non Commercial (schedule 4)	**14,026,231**	13,791,286
Total Operating Revenues	**106,161,004**	105,230,140
Operating Expenditures		
- Commercial (schedule 3)	**76,034,589**	73,379,254
- Non Commercial (schedule 4)	**35,984,275**	34,144,512
Total Operating Expenditures	**112,018,864**	107,523,766
Loss from operations before the following	**5,857,860**	2,293,626
Investment Income		
Interest Expense	**(901,818)**	(2,073,555)
Interest Earned	**3,778,721**	4,077,447
Gain on sale of bonds	**415,024**	—
Net Investment Income	**3,291,927**	2,003,892
Special Payment to Pension Fund (note 3)	**3,001,118**	3,837,000
Net loss before Government reimbursement	**5,567,051**	4,126,734
Government reimbursement (schedule 2 and note 4)	**23,866,045**	21,576,020
Net income for the year	**18,298,994**	17,449,286

See accompanying schedules and notes to consolidated financial statements.

Ontario Northland Transportation Commission

Consolidated Statement of Retained Income

for the year ended December 31, 1985

	1985 $	1984 $
Balance, beginning of year	**117,938,901**	100,489,615
Add net income for the year	**18,298,994**	17,449,286
Balance, end of year	**136,237,895**	117,938,901

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1985

	1985 $	1984 $
Balance, beginning of year	**20,328,060**	13,534,751
Add: — norOntair aircraft and associated equipment	**6,140,715**	8,024,206
— Capital expenditures of The Owen Sound Transportation Company, Limited	**79,051**	91,299
	26,547,826	21,650,256
Less: depreciation charges for the year	**1,795,410**	1,322,196
Balance, end of year	**24,752,416**	20,328,060

See accompanying schedules and notes to consolidated financial statements.

Ontario Northland Transportation Commission

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1985

	1985 $	1984 $
Operating Activities		
Cash provided from (used in) operations (see below)	(4,459,297)	4,206,180
Government reimbursement	23,866,045	21,576,020
	19,406,748	25,782,200
Financing Activities		
Capital reimbursement from the Province	6,219,766	8,115,505
Repayment of long term debt	(13,000,000)	(9,500,000)
	(6,780,234)	(1,384,495)
Investing Activities		
Net investment in fixed assets	(22,527,899)	(19,999,594)
Purchase of bonds	(6,999,688)	(9,443,663)
Proceeds from sale of bonds	13,720,900	2,000,000
Proceeds from sale of fixed assets	492,172	792,668
	(15,314,515)	(26,650,589)
Decrease in cash and short term investments during the year	(2,688,001)	(2,252,884)
Cash and short term investments, beginning of year	4,681,754	6,934,638
Cash and short term investments, end of year	1,993,753	4,681,754
Cash provided from (used in) operations is derived as follows:		
Net loss before Government reimbursement	(5,567,051)	(4,126,734)
Add (deduct):		
Depreciation	6,929,209	6,710,144
Amortization and gain on sale of bonds	(605,719)	(175,592)
Gain on return of leased trailers	(91,589)	—
Decrease (increase) in accounts receivable	(2,663,816)	1,151,431
Increase in material, supplies and prepaids	(1,145,094)	(504,352)
Increase (decrease) in accounts payable	(2,918,093)	1,151,283
Increase in deferred revenue	1,602,856	—
Cash provided from (used in) operations	(4,459,297)	4,206,180

See accompanying schedules and notes to consolidated financial statements.

Ontario Northland Transportation Commission

Schedule of Investment in Property

Schedule 1

as at December 31, 1985

	1985 $	1984 $
Rail - Roadway	**102,227,019**	97,044,988
- Buildings	**13,914,751**	13,084,202
- Equipment	**40,858,795**	41,976,741
Telecommunications	**52,885,634**	52,418,192
Buses	**2,315,162**	2,233,890
Boats	**927,413**	927,413
norOntair - aircraft	**15,525,610**	12,652,727
- other	**1,967,198**	1,090,858
Remote North power and communications	**278,298**	259,517
Star Transfer Limited - vehicles	**2,516,418**	3,034,171
- other	**882,678**	861,127
The Owen Sound Transportation Company, Limited - vessel	**9,665,356**	9,665,356
- other	**395,158**	320,291
Gross investment in property	**244,359,490**	235,569,473
Less accumulated depreciation	**85,529,696**	83,187,015
Net investment in property	**158,829,794**	152,382,458
Under construction	**10,900,032**	3,944,671
	169,729,826	156,327,129

See accompanying schedules and notes to consolidated financial statements.

Ontario Northland Transportation Commission

Schedule of Provincial Government Reimbursement

Schedule 2

for the year ended December 31, 1985

	1985 $	1984 $
From Province of Ontario		
Cochrane - Moosonee branch line	**7,784,932**	7,737,786
Main line passenger train	**5,697,229**	5,678,724
Northlander	**5,197,878**	4,481,291
Remote North power and communications	**89,406**	249,721
Air services - norOntair	**4,546,971**	3,110,258
Moosonee ferry	**91,656**	50,726
	23,408,072	21,308,506
The Owen Sound Transportation Company, Limited	**457,973**	267,514
Total Provincial Government reimbursement (note 4)	**23,866,045**	21,576,020

See accompanying schedules and notes to consolidated financial statements.

Ontario Northland Transportation Commission

Schedule of Commercial Operations

Schedule 3

for the year ended December 31, 1985

	1985 $	1984 $
Rail Freight Services		
Revenue	**46,988,449**	47,426,816
Expenditures	**40,627,108**	38,527,952
Income from Operations	**6,361,341**	8,898,864
Express Services		
Revenue	**1,203,772**	1,197,356
Expenditures	**1,399,147**	1,390,385
Loss from Operations	**(195,375)**	(193,029)
Telecommunications		
Revenue (note 6)	**36,165,548**	33,369,197
Expenditures	**24,248,686**	22,948,708
Income from Operations	**11,916,862**	10,420,489
Bus Services		
Revenue	**3,849,863**	3,867,906
Expenditures	**4,256,401**	4,090,274
Loss from Operations	**(406,538)**	(222,368)
Transport Services		
Revenue	**3,391,239**	5,226,205
Expenditures	**4,704,335**	5,921,176
Loss from Operations	**(1,313,096)**	(694,971)
Marine Services (North Bay)		
Revenue	**278,673**	221,495
Expenditures	**421,684**	388,774
Loss from Operations	**(143,011)**	(167,279)
Tourist Facilities (Hannah Bay)		
Revenue	**151,870**	129,879
Expenditures	**122,208**	111,985
Income from Operations	**29,662**	17,894
Remote North Communications		
Revenue	**105,359**	—
Expenditures	**255,020**	—
Loss from Operations	**(149,661)**	—
Total Commercial Operations		
Operating revenues	**92,134,773**	91,438,854
Operating expenditures	**76,034,589**	73,379,254
Income from Operations	**16,100,184**	18,059,600

See accompanying schedules and notes to consolidated financial statements.

Ontario Northland Transportation Commission

Schedule of Non-commercial Operations

Schedule 4

for the year ended December 31, 1985

	1985 $	1984 $
Rail Passenger Services		
Revenue	5,295,569	5,424,137
Expenditures	22,067,607	22,099,144
Loss from operations	(16,772,038)	(16,675,007)
Government reimbursement	18,680,039	17,897,801
Net gain from operations	1,908,001	1,222,794
Air Services (norOntair)		
Revenue	4,854,093	4,344,991
Expenditures	9,401,064	7,455,249
Loss from operations	(4,546,971)	(3,110,258)
Government reimbursement	4,546,971	3,110,258
	—	—
Marine Services (Owen Sound)		
Revenue	3,684,472	3,611,665
Expenditures	4,142,445	3,879,179
Loss from operations	(457,973)	(267,514)
Government reimbursement	457,973	267,514
	—	—
Marine Services (Moosonee)		
Revenue	68,157	61,111
Expenditures	159,813	111,837
Loss from Operations	(91,656)	(50,726)
Government reimbursement	91,656	50,726
	—	—
Remote North Communications		
Revenue	34,280	139,463
Expenditures	83,789	348,136
Loss from Operations	(49,509)	(208,673)
Government reimbursement	49,509	208,673
	—	—
Remote North Power		
Revenue	89,660	209,919
Expenditures	129,557	250,967
Loss from operations	(39,897)	(41,048)
Government reimbursement	39,897	41,048
	—	—
Total Non-commercial Operations		
Operating revenues	14,026,231	13,791,286
Operating expenditures	35,984,275	34,144,512
Loss from Operations	(21,958,044)	(20,353,226)
Government reimbursement	23,866,045	21,576,020
Net gain from operations	1,908,001	1,222,794

See accompanying schedules and notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1985

1. Significant Accounting Policies

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight line basis over the estimated service lives of the assets with the exception of vehicles which are depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road - Main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway cars	33 years
Vessel	33 years
Telecommunications equipment	15 years
Aircraft	10 years
Boats	20 years

The Province of Ontario reimburses the Commission for the costs of certain fixed assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Contributed Surplus. Annual depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no tax provision is reflected in operations.

2. Self-Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annual contributions to the self-insurance fund consist of a $100,000 premium paid by the Commission in addition to investment income earned on fund assets.

3. Contributory Pension Fund

Based on the latest actuarial valuation dated December 31, 1984, the Commission's Contributory Pension Fund had an unfunded liability of $16,937,364. This amount was comprised of the following:

Initial unfunded liability as of January 1, 1965	$19,443,107
Actuarial surplus identified as at December 31, 1984	2,505,743
	$16,937,364

The Commission and its subsidiaries will continue to make annual interest payments into the Fund in order to prevent an increase in the unfunded liability. In 1985 this payment amounted to $1,185,615 (1984 - $1,361,017).

In addition, in 1985 the Commission made an extra payment of $3,001,118 into the Pension Fund.

4. Provincial Government Reimbursements

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission and its subsidiaries have been designated as non-commercial and receive annual operating subsidies, the details of which appear on Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosonee branch line and main line passenger train services, allows the Commission to earn an annual rate of return, equal to the lesser of 9.325 per cent and the actual rate of return earned on the total of the Commission's commercial operations for the same year. For all other non-commercial operations shown on Schedule 2, the subsidies equal the operating losses for the year.

5. Deferred Revenue

During the year, the Commission received $1,740,000 as full settlement for revenue lost through the rerouting of certain long distance telephone traffic. This amount is being amortized to income over the eight remaining years of the original agreement.

6. Telecommunications Revenue Agreements

Telecommunications operations provide approximately 39 per cent (1984 - 36 per cent) of commercial revenues and 74 per cent (1984 - 58 per cent) of net income earned on all of the Commission's commercial operations. Approximately 77 per cent (1984 - 85 per cent) of telecommunications revenues depend on revenue-sharing agreements with Bell Canada Enterprises Inc., and one of its subsidiaries. These agreements may be terminated by either party after giving 180 days prior notice.

7. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

Ontario Northland Transportation Commission

Contributory Pension Fund
Statement of Transactions and Fund Balance

for the year ended December 31, 1985

	1985 $	1984 $
Receipts		
Contributions (note 1a)		
Employees	1,886,390	1,881,450
Commission		
Current service and supplementary benefits	1,910,160	1,905,998
Payment toward unfunded liability (note 2)	4,186,733	7,257,150
	7,983,283	11,044,598
Income from investments (note 1a)		
Interest and dividends	14,637,886	12,501,180
Net gain on disposal	1,598,319	305,876
	16,236,205	12,807,056
	24,219,488	23,851,654
Disbursements		
Pensions paid directly to pensioners	7,076,620	6,219,676
Refunds of employee's contributions and interest	196,852	241,527
	7,273,472	6,461,203
Increase in the fund for the year	16,946,016	17,390,451
Fund balance, beginning of year	125,838,640	108,448,189
Fund balance, end of year	142,784,656	125,838,640
Consisting of:		
Assets		
Cash and short term investments, at cost	5,616,750	179,779
Stocks, at cost (market value $3,796,000; 1984 - $4,284,000)	3,714,261	4,273,669
Accounts receivable	389,233	190,402
Bonds, at cost (market value $143,026,000; 1984 - $117,100,000)	132,963,217	120,943,734
Precious metals, at cost (market value $81,000; 1984 - $187,000)	121,195	251,056
	142,784,656	125,838,640

See accompanying notes to financial statements.

Approved on behalf of the Board:

J.W. Spooner, Chairman

P.A. Dyment, General Manager

Ontario Northland Transportation Commission

Contributory Pension Fund
Notes to Financial Statement

December 31, 1985

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1. Significant Accounting Policies

(a) Basis of Accounting

This statement has been prepared on the cash basis of accounting, except for contributions which have been recorded on an accrual basis.

(b) Administration Expense

The cost of administration was borne by the Ontario Northland Transportation Commission.

2. Unfunded Liability

Based on the latest actuarial valuation dated December 31, 1984, the Commission's Contributory Pension Fund had an unfunded liability of $16,937,364. This amount was comprised of the following:

Initial unfunded liability as of January 1, 1965	$19,443,107
Actuarial surplus identified at December 31, 1984	(2,505,743)
	$16,937,364

The Commission and its subsidiaries will continue to make annual interest payments into the Fund in order to prevent an increase in the unfunded liability. In 1985, this payment amounted to $1,185,615 (1984 - $1,361,017).

In addition, in 1985 the Commission made an extra payment of $3,001,118 into the Pension Fund.

3. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

To the Ontario Northland Transportation Commission and
to the Minister of Northern Development and Mines.

I have examined the statement of transactions and fund balance of the Ontario Northland Transportation Commission Contributory Pension Fund for the year ended December 31, 1985. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the assets of the Fund as at December 31, 1985 and its receipts and disbursements for the year then ended in accordance with the basis of accounting described in note 1a, applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
April 9, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.